

AMENDED IN ASSEMBLY MARCH 9, 2005

CALIFORNIA LEGISLATURE—2005–06 REGULAR SESSION

**ASSEMBLY BILL**

**No. 55**

**Introduced by Assembly Member Mullin**

***(Coauthors: Assembly Members DeVore, Dymally, Evans, Hancock,  
Levine, Nava, Pavley, Ruskin, and Wolk)***

***(Coauthors: Senators Denham and Soto)***

December 6, 2004

---

An act to add Section 22955.1 to, and to repeal and add Section 22954.1 of, the Education Code, relating to state teachers' retirement, making an appropriation therefor, ~~and declaring the urgency thereof, to take effect immediately.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 55, as amended, Mullin. State teachers' retirement: appropriations.

(1) Under the existing Teachers' Retirement Law, a continuous appropriation equal to 2.5% of creditable compensation, as specified, is made annually from the General Fund for transfer to the Supplemental Benefit Maintenance Account in the Teachers' Retirement Fund to fund purchase power protection payments to retired members of the Defined Benefit Program of the State Teachers' Retirement System. Existing law decreases that appropriation by \$500,000,000 for the 2003–04 fiscal year.

This bill would provide that a certain percentage, as adjusted by the Teachers' Retirement Board, of that creditable compensation shall be credited to the Supplemental Benefit Maintenance Account each year for ~~6~~ 2 years commencing July 1, ~~2005~~ 2008.

(2) Existing law requires the Teachers' Retirement Board, beginning in 2006 and every 4 years thereafter, to report to the

Legislature and the Department of Finance regarding the ability of the retirement system to pay purchase power protection payments in each fiscal year until 2036 and appropriates funds, as determined by the actuary and certified by the Director of Finance, as necessary to enable the Teachers' Retirement System to make those payments, as specified, until June 30, 2036.

This bill would delete that requirement.

(3) Under the Teachers' Retirement Law, on and after July 1, 2003, a continuous appropriation equal to 2.541 of creditable compensation, as specified, is to be made annually from the General Fund to the Teachers' Retirement Fund.

This bill would make an additional continuous appropriation from the General Fund to the Teachers' Retirement Fund on ~~July 1, 2005, and each July 1, thereafter to July 1, 2010, inclusive,~~ in an amount equal to a percentage of creditable compensation for a certain period, as specified. ~~The bill would also make an additional appropriation from the General Fund to the Teachers' Retirement Fund on July 1, 2010, amount would be adjusted~~ based on the average annual rate of return on investment of funds in the Teachers' Retirement Fund, according to a specified schedule.

(4) The bill would include a statement of legislative intent regarding purchasing power protection for retired educators. *The bill would also include a statement of legislative findings regarding the effect of the bill on the actuarial soundness of the Teachers' Retirement Fund.*

~~(5) The bill would declare that it is to take effect immediately as an urgency statute.~~

Vote:  $\frac{2}{3}$ . Appropriation: yes. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. It is the intent of the Legislature to restore over
- 2 time the funding provided under current law, in order to provide
- 3 purchasing power protection for retired pensioners in CalSTRS,
- 4 so that the 63,000 retired educators, who are mostly women with
- 5 an average age of 82 years, can receive the level of purchasing
- 6 power protection provided for by law.
- 7 SEC. 2. Section 22954.1 of the Education Code is repealed.

SEC. 3. Section 22954.1 is added to the Education Code, to read:

22954.1. On July 1, ~~2005~~ 2008, and each July 1, thereafter to July 1, ~~2011~~ 2010, inclusive, an amount equal to 0.3671 percent of the total of the creditable compensation of the fiscal year ending in the immediately preceding calendar year upon which members' contributions are based shall be credited to the Supplemental Benefit Maintenance Account. This rate shall be adjusted by the board to reflect any changes in the rate of interest credited to accumulated reserves pursuant to subdivision (b) of Section 22216.

SEC. 4. ~~Section 22955.1 is added to the Education Code, to read:~~

~~22955.1. (a) In addition to the amount appropriated pursuant to Section 22955, and notwithstanding Section 13340 of the Government Code, on July 1, 2005, and each July 1, thereafter, to July 1, 2010, inclusive, a continuous appropriation is hereby made from the General Fund to the Controller for transfer to the Teachers' Retirement Fund. The total amount of each appropriation made pursuant to this section shall be equal to the percentage of the total of the creditable compensation of the fiscal year ending in the immediately preceding calendar year upon which members' contributions are based, in accordance with the following schedule:~~

Date of Payment	Percentage
On July 1, 2005.....	0.0858 percent
On July 1, 2006.....	0.0823 percent
On July 1, 2007.....	0.0790 percent
On July 1, 2008.....	0.0757 percent
On July 1, 2009.....	0.0727 percent
On July 1, 2010.....	0.0697 percent

~~(b) (1) In addition to the amount appropriated pursuant to Section 22955, there is hereby appropriated on July 1, 2010, from the General Fund to the Controller, for transfer to the Teachers' Retirement Fund, an amount equal to the percentage of the total of the creditable compensation of the fiscal year ending in the immediately preceding calendar year upon which members' contributions are based in accordance with the following~~

schedule, based on the actual average annual rate of return on the investment of funds in the Teachers' Retirement Fund from July 1, 2003, to June 30, 2010, inclusive, as reported by the board:

If the average annual rate of return is less than	-
3.5 percent.....	1.6732 percent
If the average annual rate of return is at least 3.5	-
percent but less than	1.8743 percent
5 percent.....	
If the average annual rate of return is at least 5	-
percent but less than	2.0943 percent
6.5 percent.....	
If the average annual rate of return is at least 6.5	-
percent but less than	2.3347 percent
8 percent.....	
If the average annual rate of return is at least 8	-
percent but less than	2.5970 percent
9.5 percent.....	
If the average annual rate of return is at least 9.5	-
percent but less than	2.8828 percent
11 percent.....	
If the average annual rate of return is equal to or	-
greater than 11 percent.....	3.1937 percent

(2) The amount transferred to the Teachers' Retirement Fund on July 1, 2010, pursuant to paragraph (1) shall be based on the estimated average annual rate of return in the investment of funds in the Teachers' Retirement Fund from July 1, 2003, to June 30, 2010, inclusive, projected by the board from actual investment earnings to the Teachers' Retirement Fund through April 30, 2010, inclusive. On or before September 1, 2010, the board shall report to the Director of Finance and the Controller the actual average annual rate of return on the investment of funds in the Teachers' Retirement Fund from July 1, 2003, to June 30, 2010, inclusive. Any additional amount appropriated pursuant to paragraph (1) shall be transferred to the Teachers' Retirement Fund within five calendar days of the actual average annual rate of return reported by the board to the Director of Finance and the Controller. If the actual average annual rate of return on the investment of funds in the Teachers' Retirement Fund from July

1 1, 2003, to June 30, 2010, inclusive, is less than the amount  
2 estimated as of July 1, 2010, any excess amount transferred to the  
3 Teachers' Retirement Fund on July 1, 2010, shall be treated as a  
4 credit for the amount appropriated pursuant to Section 22955 for  
5 transfer to the Teachers' Retirement Fund during the 2010-11  
6 fiscal year.

7 (e) The Legislature reserves the right to amend this section to  
8 increase the contribution rate prior to July 1, 2010, in order to  
9 provide an appropriation that is actuarially equivalent to the  
10 appropriation made in subdivisions (a) and (b), as determined by  
11 the board in an actuarial analysis requested by the board. Any  
12 resulting change in the appropriation shall be in lieu of any  
13 appropriation made by this section that has not yet been  
14 transferred to the Teachers' Retirement Fund.

15 SEC. 5. This act is an urgency statute necessary for the  
16 immediate preservation of the public peace, health, or safety  
17 within the meaning of Article IV of the Constitution and shall go  
18 into immediate effect. The facts constituting the necessity are:

19 In order to address the fiscal crisis facing the state in the  
20 2005-06 fiscal year, it is necessary that this act take effect  
21 immediately.

22 SEC. 4. Section 22955.1 is added to the Education Code , to  
23 read:

24 22955.1. (a) In addition to the amount appropriated  
25 pursuant to Section 22955, and notwithstanding Section 13340 of  
26 the Government Code, on July 1, 2010, a continuous  
27 appropriation is hereby made from the General Fund to the  
28 Controller for transfer to the Teachers' Retirement Fund equal to  
29 0.9973 percent of the total of the creditable compensation of the  
30 fiscal year ending in the immediately preceding calendar year  
31 upon which members' contributions are based.

32 (b) The amount appropriated pursuant to subdivision (a) on  
33 July 1, 2010, shall be adjusted by an amount equal to the  
34 percentage of the total of the creditable compensation of the  
35 fiscal year ending in the immediately preceding calendar year  
36 upon which members' contributions are based set forth opposite  
37 the actual average annual rate of return on the investment of  
38 funds in the Teachers' Retirement Fund from July 1, 2004, to  
39 June 30, 2010, inclusive, set forth in the following schedule:

1	<i>If the average annual rate of return is:</i>	<i>The Percentage is:</i>
2	<i>Less than 3.5 percent.....</i>	<i>-0.6988 percent</i>
3	<i>At least 3.5 but less than 5 percent.....</i>	<i>-0.4822 percent</i>
4	<i>At least 5 percent but less than 6.5 percent.....</i>	<i>-0.2496 percent</i>
5	<i>At least 6.5 percent but less than 8 percent.....</i>	<i>0.0000 percent</i>
6	<i>At least 8 percent but less than 9.5 percent.....</i>	<i>0.2675 percent</i>
7	<i>At least 9.5 percent but less than 11 percent.....</i>	<i>0.5540 percent</i>
8	<i>Equal to or greater than 11 percent.....</i>	<i>0.8606 percent</i>

9  
10 *(c) Of the amount appropriated pursuant to this section on*  
11 *July 1, 2010, 95 percent shall be transferred to the Teachers’*  
12 *Retirement Fund on July 1, 2010, and the balance of the*  
13 *appropriation shall be transferred to the Teachers’ Retirement*  
14 *Fund on September 1, 2010.*

15 *SEC. 5. The Legislature finds and declares that the actuary*  
16 *retained by the Teachers’ Retirement Board has determined that*  
17 *the appropriation to the Teachers’ Retirement Fund may be*  
18 *decreased and later increased in the manner prescribed by this*  
19 *act without impairing the actuarial soundness of the fund.*

20  
21 \_\_\_\_\_  
22 **CORRECTIONS:**  
23 **Text-Page 5.**  
24 \_\_\_\_\_